

#3
SUMMONS
(CITACION JUDICIAL)

FOR COURT USE ONLY
(SOLO PARA USO DE LA CORTE)

NOTICE TO DEFENDANT: (Aviso a Acusado)

GERALD ARMSTRONG; MICHAEL WALTON; THE GERALD ARMSTRONG CORPORATION, a California for-profit corporation, DOES I THROUGH 100, INCLUSIVE

YOU ARE BEING SUED BY PLAINTIFF:

(A Ud. le esta demandando)

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation,

You have 30 CALENDAR DAYS after this summons is served on you to file a typewritten response at this court.

A letter or phone call will not protect you; your typewritten response must be in proper legal form if you want the court to hear your case.

If you do not file your response on time, you may lose the case, and your wages, money and property may be taken without further warning from the court.

There are other legal requirements. You may want to call an attorney right away. If you do not know an attorney, you may call an attorney referral service or a legal aid office (listed in the phone book).

Después de que le entreguen esta citación judicial usted tiene un plazo de 30 DIAS CALENDARIOS para presentar una respuesta escrita a máquina en esta corte.

Una carta o una llamada telefónica no le ofrecerá protección; su respuesta escrita a máquina tiene que cumplir con las formalidades legales apropiadas si usted quiere que la corte escuche su caso.

Si usted no presenta su respuesta a tiempo, puede perder el caso, y le pueden quitar su salario, su dinero y otras cosas de su propiedad sin aviso adicional por parte de la corte.

Existen otros requisitos legales. Puede que usted quiera llamar a un abogado inmediatamente. Si no conoce a un abogado, puede llamar a un servicio de referencia de abogados o a una oficina de ayuda legal (vea el directorio telefónico).

The name and address of the court is: (El nombre y dirección de la corte es)
Marin County Superior Court
Room 151, Hall of Justice
San Rafael, California 94913

CASE NUMBER (Numero del Caso)

157680

The name, address, and telephone number of plaintiff's attorney, or plaintiff without an attorney, is:
(El nombre, la dirección y el número de teléfono del abogado del demandante, o del demandante que no tiene abogado, es)
Andrew H. Wilson, Esq. (415) 391-3900
WILSON, RYAN & CAMPILONGO
235 Montgomery Street
Suite 450
San Francisco, CA 94104

JUL 23 1993

HOWARD HANSON C. HANSON

DATE: July , 1993
(Fecha)

Clerk, by _____, Deputy
(Actuario) (Delegado)

(SEAL)



NOTICE TO THE PERSON SERVED: You are served

- 1. as an individual defendant.
- 2. as the person sued under the fictitious name of (specify):
- 3. on behalf of (specify):

- under: CCP 416.10 (corporation) CCP 416.60 (minor)
- CCP 416.20 (defunct corporation) CCP 416.70 (conservatee)
- CCP 416.40 (association or partnership) CCP 416.90 (individual)
- other:

- 4. by personal delivery on (date):

FILED

JUL 23 1993

HOWARD HANSON
MARIN COUNTY CLERK
M.C. HARDING DEPUTY

1 Andrew H. Wilson
WILSON, RYAN & CAMPILONGO
2 235 Montgomery Street
Suite 450
3 San Francisco, California 94104
(415) 391-3900

4 Laurie J. Bartilson
5 BOWLES & MOXON
6255 Sunset Boulevard, Suite 2000
6 Hollywood, CA 90028
(213) 953-3360

7 Attorneys for Plaintiff
8 CHURCH OF SCIENTOLOGY
INTERNATIONAL
9

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 FOR THE COUNTY OF MARIN
12

13	CHURCH OF SCIENTOLOGY	)	CASE NO.	177080
14	INTERNATIONAL, a California not-)		
14	for-profit religious corporation,	)	VERIFIED COMPLAINT TO SET	
15		)	ASIDE FRAUDULENT TRANSFERS	
15		)	AND FOR DAMAGES; CONSPIRACY	
16	Plaintiff,)		
16	vs.	)	[C.C. §§ 3302,	
17		)	3439.07(a)(1), (3)]	
18	GERALD ARMSTRONG; MICHAEL WALTON;	)	DATE:	
18	THE GERALD ARMSTRONG CORPORATION,	)	TIME:	
19	a California for-profit	)	DEPT:	
19	corporation; DOES 1 through 100,)		
20	inclusive,	)	DISCOVERY CUT-OFF: None	
20	Defendants.	)	MOTION CUT-OFF: None	
21		)	TRIAL DATE: None	

22 Plaintiff, by its attorneys, Wilson, Ryan & Campilongo and
23 Bowles & Moxon, for its Complaint, alleges:

24 NATURE OF THE ACTION

25 1. In December, 1986, plaintiff and defendant Gerald
26 Armstrong ("Armstrong") entered into a settlement agreement ("the
27 Agreement"). The Agreement provided for a mutual release and
28

1 waiver of all claims arising out of a cross-complaint which
2 defendant Armstrong had filed in the case of Church of
3 Scientology of California v. Gerald Armstrong, Los Angeles
4 Superior Court No. C 420153. Armstrong, a former Church member
5 who sought, by both litigation and covert means, to disrupt the
6 activities of his former faith, displayed through the years an
7 intense and abiding hatred for the Church, and an eagerness to
8 annoy and harass his former co-religionists by spreading enmity
9 and hatred among members and former members. Plaintiff sought,
10 with the Agreement, to end all of Armstrong's covert activities
11 against it, along with the litigation itself. For that reason,
12 the Agreement contained carefully negotiated and agreed-upon
13 confidentiality provisions and provisions prohibiting Armstrong
14 from fomenting litigation against plaintiff by third parties.
15 These provisions were bargained for by plaintiff to put an end to
16 the enmity and strife generated by Mr. Armstrong once and for
17 all. The Agreement also provided, inter alia, for liquidated
18 damages to be paid by Armstrong should he choose to breach these
19 provisions.

20 2. In or about February, 1990, Armstrong began to take a
21 series of actions which directly violated provisions of the
22 Agreement. Fearing that plaintiff would seek to collect the
23 liquidated damages owed by his breaches, Armstrong, as set forth
24 below, fraudulently conveyed all of his property, including real
25 property located in Marin County, cash, and personal property to
26 defendants Michael Walton, the Gerald Armstrong Corporation, and
27 Does 1-100, receiving no consideration in return. Thereafter,
28 Armstrong deliberately set out to repeatedly breach the

1 Agreement, incurring a debt which at present totals at least
2 \$1,800,000, and which he has and had no assets to use to satisfy
3 the debt.

4 3. Armstrong's breaches and resulting indebtedness are
5 presently the subject of two actions pending in Los Angeles
6 Superior Court, Church of Scientology International v. Armstrong,
7 LASC No. BC 052395 ("the First Action"), demanding liquidated
8 damages of \$600,000.00 for breaches occurring between July, 1991
9 and May, 1992, and Church of Scientology International v.
10 Armstrong, LASC No. BC 084642 ("the Second Action"), demanding
11 liquidated damages of \$1,200,000.00, for breaches occurring
12 between August, 1991 and June, 1993.

13 THE PARTIES

14 4. Plaintiff Church of Scientology International is a non-
15 profit religious corporation incorporated under the laws of the
16 State of California, having its principal offices in Los Angeles,
17 California. Plaintiff CSI is the Mother Church of the
18 Scientology religion.

19 5. Defendant Gerald Armstrong is a resident of Marin
20 County, California.

21 6. Defendant Michael Walton is a resident of Marin County,
22 California.

23 7. Defendant Gerald Armstrong Corporation ("GAC") is a
24 corporation incorporated under the laws of the State of Calif-
25 ornia, having its principal offices in San Anselmo, California.

26 8. Plaintiff is ignorant of the names and capacities of
27 the defendants identified as DOES 1 through 25, inclusive, and
28 thus brings suit against those defendants by their true names

1 upon the ascertainment of their true names and capacities, and
2 their responsibility for the conduct alleged herein.

3 DEFENDANT GAC IS THE ALTER EGO OF

4 DEFENDANT ARMSTRONG

5 9. Defendant Armstrong is GAC's president and sole
6 officer, its principal shareholder and sole employee, and has
7 been since the incorporation of GAC in 1987. Further, defendant
8 Armstrong has the sole and exclusive right to control the
9 corporation's bank account and its disbursement of funds.

10 10. Defendant GAC is, and at all times since its
11 incorporation was, the alter ego of defendant Armstrong. There
12 exists, and at all times since GAC's incorporation has existed, a
13 unity of interest and ownership between these two defendants such
14 that any separateness between them has ceased to exist:

15 Defendant Armstrong caused his own personal assets to be
16 transferred to GAC without adequate consideration in order to
17 evade payment of his lawful obligations, and defendant Armstrong
18 has completely controlled, dominated, managed and operated GAC
19 since its incorporation for his own personal benefit.

20 11. Defendant GAC is, and at all times mentioned was, a
21 mere shell, instrumentality and conduit through which defendant
22 Armstrong carried on his activities in the corporate name exactly
23 as he conducted them previous to GAC's incorporation. Armstrong
24 exercised and exercises such complete control and dominance of
25 such activities that any individuality or separateness of
26 defendant GAC and defendant Armstrong does not, and at all
27 relevant times did not, exist.

28 12. Adherence to the fiction of the separate existence of

1 defendant GAC as an entity distinct from defendant Armstrong
2 would permit an abuse of the corporate privilege and would
3 sanction fraud, in that Armstrong transferred his material assets
4 to GAC in 1988, at the time of his embarkation on the campaign of
5 harassment described herein, and with the intention of preventing
6 plaintiff from obtaining monetary relief from Armstrong pursuant
7 to the liquidated damages clause. Hence, GAC exists solely so
8 that Armstrong may be "judgment proof."

9 THE CONTRACT

10 13. On or about December 6, 1986, CSI and Armstrong entered
11 into a written confidential settlement Agreement, a true and
12 correct copy of which is attached hereto as Exhibit A, and
13 incorporated by reference.

14 14. The Agreement was entered into by plaintiff and
15 defendant Armstrong, with the participation of their respective
16 counsel after full negotiation. Each provision of the Agreement
17 was carefully framed by the parties and their counsel to
18 accurately reflect the agreement of the parties.

19 15. Plaintiff specifically negotiated for and obtained from
20 Armstrong the provisions in the Agreement delineated in
21 paragraphs 7(D), 7(H), 7(G), 10 and paragraphs 12 through 18.
22 Plaintiff took this step because it was well aware, through
23 investigation, that Armstrong had undertaken a series of covert
24 activities, apart from the litigation, which were intended by
25 Armstrong to discredit Church leaders, spark government raids
26 into the Churches, create phony "evidence" of wrongdoing against
27 the Churches, and, ultimately, destroy the Churches and their
28 leadership.

1 16. Paragraph 7(D) of the Agreement provided, in substance,
2 that Armstrong: (1) would not create or publish, or assist
3 another in creating or publishing, any media publication or
4 broadcast, concerning information about plaintiff, L. Ron Hubbard
5 or any other persons or entities released by the Agreement; (2)
6 would maintain "strict confidentiality and silence" with respect
7 to his alleged experiences with plaintiff or any knowledge he
8 might have concerning plaintiff, L. Ron Hubbard, or other
9 Scientology-related entities and individuals; (3) would not
10 disclose any documents which related to plaintiff or other
11 identified entities and individuals; and (4) would pay to
12 plaintiff \$50,000 in liquidated damages for each disclosure or
13 other breach of that paragraph.

14 17. Contemporaneously with the signing of the Agreement,
15 Armstrong represented that he understood the Agreement's
16 provisions and was acting of his own free will and not under
17 duress.

18 18. The Agreement also provided that plaintiff CSI would
19 pay to Armstrong's attorney, Michael Flynn, a lump sum amount
20 intended to settle not just Armstrong's case, but the cases of
21 other clients of Mr. Flynn as well, and that Mr. Flynn would pay
22 to Armstrong a portion of that settlement amount. The exact
23 amount of the portion to be paid to Armstrong by Mr. Flynn was
24 maintained as confidential between Mr. Flynn and Armstrong.

25 19. CSI paid to Mr. Flynn the lump sum settlement amount.

26 20. Mr. Flynn paid to Armstrong his confidential portion of
27 the lump sum settlement amount, which was at least \$520,000,
28 after expenses.

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PARCEL ONE

PARCEL TWO as shown upon that certain Parcel Map entitled, "Parcel Map Lands of California Land Title Portion Lands described in book 2887 of Official Records, at page 367, also being Portion of Lots 501 and 501-A unrecorded Map of Sleepy Hollow Acres, Vicinity of San Anselmo, Marin County, California, filed for record April 8, 1976 in Volume 12 of Parcel Maps, at page 43, Marin County Records.

EXCEPTING THEREFROM that portion deeded to Alain Pigois and Nina Pigois, husband and wife, as community property, by Deed recorded February 27, 1989, Serial No. 89 13373.

PARCEL TWO

AN EASEMENT for ingress, egress and public utility purposes described as follows:

BEGINNING at a point on the centerline of Fawn Drive, said point being the most southwesterly corner of Parcel 3, as shown upon that certain map entitled, "Parcel Map Lands of California Land Title Portion Lands described in Book 2887 of Official Records, at page 367, also being a portion of Lots 501 and 501-A, unrecorded Map of Sleepy Hollow Acres, Vicinity of San Anselmo, Marin County, California", filed for record April 9, 1976 in Volume 12 of Parcel Maps, at page 43, Marin County Records, said point also being the intersection of the calls "South 26° 20' East 135 feet and North 63° 40' East 20 feet" as contained in Parcel 2 of the Deed executed by California Land Title Company, a corporation to Michael C. McGuckin, et ux, recorded March 26, 1976 in Book 3010 of Official Records, at page 190, Marin County Records; thence from said point of beginning and along the exterior boundary of said Parcel 3, North 63° 40' East 20 feet; thence North 75° 07' 20" East 164.00 feet; thence leaving said exterior boundary of Parcel 3, North 12° 41' East 85.00 feet; thence North 30° 45' West 126.00 feet, thence North 13° 30' East 79.21 feet to the northwesterly boundary of Parcel 1, as shown upon that certain map referred to hereinabove; thence along the exterior boundary of said Parcel 1, South 84° 00' west 75.70 feet to the most Northerly corner of the parcel of land described in the Deed executed by Charles B. Roertson, et ux, to Paul Hopkins Talbot, Jr., et ux, recorded January 30, 1956 in book 1002 of Official Records, at page 623, Marin County Records; thence 111.77 feet, thence leaving said exterior boundary of Parcel 1, South 18° 45' East 95.06 feet thence South 21° 48' West 70.66 feet; thence South 75° 07' 20" West 160.00 feet to the certline of Fawn Drive; thence along the

1 exterior boundary of said Parcel 3, also being the
2 centerline of "Fawn Drive, South 26° 20' East 34.46
3 feet to the point of beginning.

4 28. On or about August 24, 1990, defendants Gerald
5 Armstrong and Michael Walton transferred by grant deed the above-
6 described property to defendant Michael Walton. On August 27,
7 1990, the grant deed was recorded in Marin County Official
8 Records as number 90 50497 in the Office of the County Recorder
9 of Marin County, California.

10 29. Plaintiff is further informed and believes and thereon
11 alleges that the transfer was made with an actual intent to
12 hinder, delay or defraud plaintiff in the collection of its
13 damages.

14 30. Further, plaintiff is informed, and believes, and
15 thereon alleges that at the time Armstrong made the transfers, he
16 intended in the future to engage in the conduct in breach of his
17 Agreement with plaintiff, described above, knowing that he would
18 thereby incur the damages described herein and for which he would
19 have rendered himself judgment-proof.

20 31. Defendant Armstrong received no money or other
21 consideration in exchange for the aforementioned transfer.
22 Plaintiff is informed and believes and thereon alleges that at
23 the time of the transfer of the real property defendant
24 Armstrong's interest in the real property was not less than
25 \$397,500.00. Thus, defendant Armstrong did not receive
26 reasonably equivalent value in exchange for his interest in the
27 real property.

28 32. Plaintiff is informed and believes and thereon alleges
that defendant Walton received the above-described real property

1 with knowledge that defendant Armstrong intended to (1) hinder,
2 delay or defraud the collection of plaintiff's aforementioned
3 damages and (2) further breach his Agreement with plaintiff,
4 thereby incurring substantial damages which it would be
5 impossible for Armstrong to pay. Defendant Walton had previously
6 advised Armstrong concerning the Agreement and was familiar with
7 its terms and conditions; further, Armstrong had informed
8 defendant Walton of his vendetta against plaintiff and all
9 Churches of Scientology, and of his intentions to breach the
10 Agreement. Moreover, Walton was well aware of the fraudulent
11 nature of the transfer, for which he received no money or other
12 consideration.

13 SECOND CAUSE OF ACTION

14 TO SET ASIDE FRAUDULENT TRANSFER OF ASSETS

15 (Against All Defendants)

16 33. Plaintiff realleges paragraphs 1-25, inclusive, and
17 incorporates them herein by reference.

18 34. On or about August, 1990, defendant Gerald Armstrong
19 was the owner and in possession and control of approximately
20 \$41,500 in cash, and shares of stock in The Gerald Armstrong
21 Corporation which were valued by Armstrong at \$1,000,000.

22 35. On or about August, 1990, Armstrong transferred the
23 \$41,500 in cash and the shares of stock in The Gerald Armstrong
24 Corporation to defendants Walton and Does 1 - 100.

25 36. Plaintiff is further informed and believes and thereon
26 alleges that the transfer was made with an actual intent to
27 hinder, delay or defraud plaintiff in the collection of its
28 damages.

1 37. Further, plaintiff is informed, and believes and
2 thereon alleges that at the time Armstrong made the transfers, he
3 intended in the future to engage in the conduct in breach of his
4 Agreement with plaintiff, described above, knowing that he would
5 thereby incur the damages described herein, and for which he
6 would have rendered himself and his corporation judgment-proof.

7 38. Defendant Armstrong received no money or other
8 consideration in exchange for the aforementioned transfer.
9 Plaintiff is informed and believes and thereon alleges that at
10 the time of the transfer of the cash and stock, defendant
11 Armstrong's interest in the cash and stock was not less than
12 \$1,041,500. Thus, defendant Armstrong did not receive reasonably
13 equivalent value in exchange for his interest in the transferred
14 assets.

15 39. Plaintiff is informed and believes and thereon alleges
16 that defendants Walton and Does 1 -100 received the above-
17 described real property with knowledge that defendant Armstrong
18 intended to (1) hinder, delay or defraud the collection of
19 plaintiff's aforementioned damages; and (2) further breach his
20 Agreement with plaintiff, thereby incurring substantial damages
21 which it would be impossible for Armstrong or his corporation to
22 pay. Defendant Walton had previously advised Armstrong
23 concerning the Agreement and was familiar with its terms and
24 conditions; further, Armstrong had informed defendant Walton and
25 Does 1-100 of his vendetta against plaintiff and all Churches of
26 Scientology, and of his intentions to breach the Agreement.
27 Moreover, Walton and Does 1-100 were well aware of the fraudulent
28 nature of the transfer, for which they received no money or other

1 consideration.

2 THIRD CAUSE OF ACTION

3 CONSPIRACY

4 (Against All Defendants)

5 40. Plaintiff realleges paragraphs 1-32 and 34-39,
6 inclusive, and incorporates them herein by reference.

7 41. As alleged above, in August, 1990, defendants
8 Armstrong, Walton, and Does 1 - 100 agreed, and knowingly and
9 willfully conspired between themselves to hinder, delay and
10 defraud plaintiff in the collection of its damages, and to render
11 Armstrong unable to pay any and all damages to plaintiff which
12 Armstrong had incurred and intended to and did incur in violation
13 of the Agreement.

14 42. Pursuant to this conspiracy, the above-named defendants
15 agreed that Walton and Does 1 - 100 would take ownership and/or
16 possession of all of defendant Armstrong's assets of any value,
17 including the above-described real property, cash and stock and
18 everything remaining from the proceeds of the settlement which
19 Armstrong had accepted from plaintiff pursuant to the Agreement.
20 Further, the defendants conspired and agreed to hide any and all
21 future assets acquired by Armstrong in the sham corporation, The
22 Gerald Armstrong Corporation, in order to protect Armstrong's
23 assets from collection so long as he was breaching the Agreement,
24 and plaintiff was attempting to collect damages for those
25 breaches. Plaintiff is unaware of the present value of those
26 assets which have been so hidden, but is informed and believes
27 and thereon alleges that their value exceeds \$1,800,000, the
28 minimum value of plaintiff's claim.

1 the property transferred;

2 3. That a temporary restraining order be granted plaintiff
3 enjoining and restraining defendant Walton, and his
4 representatives, agents, and attorneys from selling,
5 transferring, conveying, or otherwise disposing of any of the
6 property transferred;

7 4. That the judgment herein be declared a lien on the
8 property transferred;

9 5. That an order be made declaring that defendant Walton
10 holds all of the real property described above in trust for
11 plaintiff.

12 6. That defendant Walton be required to account to
13 plaintiff for all profits and proceeds earned from or taken in
14 exchange for the property described above.

15 ON THE SECOND CAUSE OF ACTION

16 1. That the transfer of assets from defendant Armstrong to
17 defendants Walton and Does 1 - 100 be set aside and declared void
18 as to the plaintiff herein to the extent necessary to satisfy
19 plaintiff's claim in the sum of \$1,800,000 plus interest thereon
20 at the maximum rate permitted by law from 1990;

21 2. That defendants Walton, The Gerald Armstrong
22 Corporation and Does 1 - 100 be restrained from disposing of the
23 property transferred;

24 3. That a temporary restraining order be granted plaintiff
25 enjoining and restraining defendants Walton, The Gerald Armstrong
26 Corporation and Does 1 - 100, and their representatives, agents,
27 and attorneys from selling, transferring, conveying, or otherwise
28 disposing of any of the property transferred;

1 4. That the judgment herein be declared a lien on the
2 property transferred;

3 5. That an order be made declaring that defendants Walton,
4 The Gerald Armstrong Corporation and Does 1-100 hold all of the
5 assets described above in trust for plaintiff.

6 6. That defendants Walton and Does 1 - 100 be required to
7 account to plaintiff for all profits and proceeds earned from or
8 taken in exchange for the property described above;

9 ON THE THIRD CAUSE OF ACTION

- 10 1. For general damages in the amount of \$1,800,000;
11 2. For exemplary or punitive damages in the sum of
12 \$3,000,000;

13 ON ALL CAUSES OF ACTION AGAINST ALL DEFENDANTS

- 14 1. For attorneys fees and costs;
15 2. For such other and further relief as the court may deem
16 proper.

17 DATED: July 21, 1993

WILSON, RYAN & CAMPILONGO

18 BY: *Andrew H. Wilson*
19 Andrew H. Wilson

20 Laurie J. Bartilson
21 BOWLES & MOXON

22 Attorneys for Plaintiff
23 CHURCH OF SCIENTOLOGY
24 INTERNATIONAL

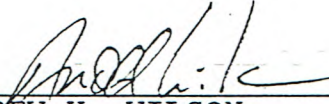
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VERIFICATION

I, ANDREW H. WILSON, declare as follows:

I am one of the attorneys for the Plaintiff Church of Scientology International in the above-entitled matter. I have read the foregoing Verified Complaint to Set Aside Fraudulent Transfers and for Damages; Conspiracy and know the contents thereof, which are true of my own knowledge except as to those matters which are stated on information and belief, and as to those matters, I believe it to be true.

I declare under the penalty of perjury pursuant to the laws of the State of California that the foregoing is true and correct. Executed on July 21, 1993 at San Francisco, California.



ANDREW H. WILSON

MUTUAL RELEASE OF ALL CLAIMS AND SETTLEMENT AGREEMENT

1. This Mutual Release of All Claims and Settlement Agreement is made between Church of Scientology International (hereinafter "CSI") and Gerald Armstrong, (hereinafter "Plaintiff") Cross-Complainant in Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153. By this Agreement, Plaintiff hereby specifically waives and releases all claims he has or may have from the beginning of time to and including this date, including all causes of action of every kind and nature, known or unknown for acts and/or omissions against the officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel of CSI as well as the Church of Scientology of California, its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; Religious Technology Center, its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; all Scientology and Scientology affiliated organizations and entities and their officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; Author Services, Inc., its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; L. Ron Hubbard, his heirs, beneficiaries, Estate and its executor; Author's Family Trust, its beneficiaries and its trustee; and Mary Sue Hubbard, (all hereinafter collectively referred to as the

E4.1.

19.

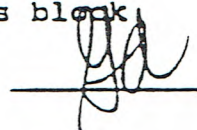
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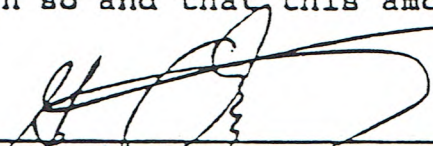
"Releasees"). The parties to this Agreement hereby agree as follows:

2. It is understood that this settlement is a compromise of doubtful and disputed claims, and that any payment is not to be construed, and is not intended, as an admission of liability on the part of any party to this Agreement, specifically, the Releasees, by whom liability has been and continues to be expressly denied. In executing this settlement Agreement, Plaintiff acknowledges that he has released the organizations, individuals and entities listed in the above paragraph, in addition to those defendants actually named in the above lawsuit, because among other reasons, they are third party beneficiaries of this Agreement.

3. Plaintiff has received payment of a certain monetary sum which is a portion of a total sum of money paid to his attorney, Michael J. Flynn. The total sum paid to Mr. Flynn is to settle all of the claims of Mr. Flynn's clients. Plaintiff's portion of said sum has been mutually agreed upon by Plaintiff and Michael J. Flynn. Plaintiff's signature below this paragraph acknowledges that Plaintiff is completely satisfied with the monetary consideration negotiated with and received by Michael J. Flynn. Plaintiff acknowledges that there has been a block settlement between Plaintiff's attorney, Michael J. Flynn, and the Church of Scientology and Churches and entities related to the Church of Scientology, concerning all of Mr. Flynn's clients who were in litigation with any Church of Scientology or related entity. Plaintiff has received a portion of this block



amount, the receipt of which he hereby acknowledges. Plaintiff understands that this amount is only a portion of the block settlement amount. The exact settlement sum received by Plaintiff is known only to Plaintiff and his attorney, Michael J. Flynn, and it is their wish that this remain so and that this amount remain confidential.



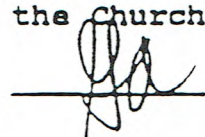
Signature line for Gerald Armstrong

4. For and in consideration of the above described consideration, the mutual covenants, conditions and release contained herein, Plaintiff does hereby release, acquit and forever discharge, for himself, his heirs, successors, executors, administrators and assigns, the Releasees, including Church of Scientology of California, Church of Scientology International, Religious Technology Center, all Scientology and Scientology affiliated organizations and entities, Author Services, Inc. (and for each organization or entity, its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel); L. Ron Hubbard, his heirs, beneficiaries, Estate and its executor; Author's Family Trust, its beneficiaries and trustee; and Mary Sue Hubbard, and each of them, of and from any and all claims, including, but not limited to, any claims or causes of action entitled Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153 and all demands, damages, actions and causes of actions of every kind and nature, known or unknown,

for or because of any act or omission allegedly done by the Releasees, from the beginning of time to and including the date hereof. Therefore, Plaintiff does hereby authorize and direct his counsel to dismiss with prejudice his claims now pending in the above referenced action. The parties hereto will execute and cause to be filed a joint stipulation of dismissal in the form of the one attached hereto as Exhibit "A".

A. It is expressly understood by Plaintiff that this release and all of the terms thereof do not apply to the action brought by the Church of Scientology against Plaintiff for Conversion, Fraud and other causes of action, which action has already gone to trial and is presently pending before the Second District, Third Division of the California Appellate Court (Appeal No. B005912). The disposition of those claims are controlled by the provisions of the following paragraph hereinafter.

B. As of the date this settlement Agreement is executed, there is currently an appeal pending before the California Court of Appeal, Second Appellate District, Division 3, arising out of the above referenced action delineated as Appeal No. B005912. It is understood that this appeal arises out of the Church of Scientology's complaint against Plaintiff which is not settled herein. This appeal shall be maintained notwithstanding this Agreement. Plaintiff agrees to waive any rights he may have to take any further appeals from any decision eventually reached by the Court of Appeal or any rights he may have to oppose (by responding brief or any other means) any further appeals taken by the Church of



Scientology of California. The Church of Scientology of California shall have the right to file any further appeals it deems necessary.

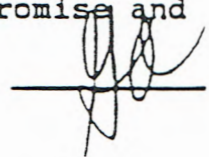
5. For and in consideration of the mutual covenants, conditions and release contained herein, and Plaintiff dismissing with prejudice the action Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153, the Church of Scientology of California does hereby release, acquit and forever discharge for itself, successors and assigns, Gerald Armstrong, his agents, representatives, heirs, successors, assigns, legal counsel and estate and each of them, of and from any and all claims, causes of action, demands, damages and actions of every kind and nature, known or unknown, for or because of any act or omission allegedly done by Gerald Armstrong from the beginning of time to and including the date hereof.

6. In executing this Agreement, the parties hereto, and each of them, agree to and do hereby waive and relinquish all rights and benefits afforded under the provisions of Section 1542 of the Civil Code of the State of California, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

7. Further, the undersigned hereby agree to the following:

A. The liability for all claims is expressly denied by the parties herein released, and this final compromise and

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settlement thereof shall never be treated as an admission of liability or responsibility at any time for any purpose.

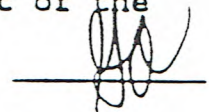
B. Plaintiff has been fully advised and understands that the alleged injuries sustained by him are of such character that the full extent and type of injuries may not be known at the date hereof, and it is further understood that said alleged injuries, whether known or unknown at the date hereof, might possibly become progressively worse and that as a result, further damages may be sustained by Plaintiff; nevertheless, Plaintiff desires by this document to forever and fully release the Releasees. Plaintiff understands that by the execution of this release no further claims arising out of his experience with, or actions by, the Releasees, from the beginning of time to and including the date hereof, which may now exist or which may exist in the future may ever be asserted by him or on his behalf, against the Releasees.

C. Plaintiff agrees to assume responsibility for the payment of any attorney fee, lien or liens, imposed against him past, present, or future, known or unknown, by any person, firm, corporation or governmental entity or agency as a result of, or growing out of any of the matters referred to in this release. Plaintiff further agrees to hold harmless the parties herein released, and each of them, of and from any liability arising therefrom.

D. Plaintiff agrees never to create or publish or attempt to publish, and/or assist another to create for publication by means of magazine, article, book or other

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similar form, any writing or to broadcast or to assist another to create, write, film or video tape or audio tape any show, program or movie, or to grant interviews or discuss with others, concerning their experiences with the Church of Scientology, or concerning their personal or indirectly acquired knowledge or information concerning the Church of Scientology, L. Ron Hubbard or any of the organizations, individuals and entities listed in Paragraph 1 above. Plaintiff further agrees that he will maintain strict confidentiality and silence with respect to his experiences with the Church of Scientology and any knowledge or information he may have concerning the Church of Scientology, L. Ron Hubbard, or any of the organizations, individuals and entities listed in Paragraph 1 above. Plaintiff expressly understands that the non-disclosure provisions of this subparagraph shall apply, inter alia, but not be limited, to the contents or substance of his complaint on file in the action referred to in Paragraph 1 hereinabove or any documents as defined in Appendix "A" to this Agreement, including but not limited to any tapes, films, photographs, recastings, variations or copies of any such materials which concern or relate to the religion of Scientology, L. Ron Hubbard, or any of the organizations, individuals, or entities listed in Paragraph 1 above. The attorneys for Plaintiff, subject to the ethical limitations restraining them as promulgated by the state or federal regulatory associations or agencies, agree not to disclose any of the terms and conditions of the settlement negotiations, amount of the

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settlement, or statements made by either party during settlement conferences. Plaintiff agrees that if the terms of this paragraph are breached by him, that CSI and the other Releasees would be entitled to liquidated damages in the amount of \$50,000 for each such breach. All monies received to induce or in payment for a breach of this Agreement, or any part thereof, shall be held in a constructive trust pending the outcome of any litigation over said breach. The amount of liquidated damages herein is an estimate of the damages that each party would suffer in the event this Agreement is breached. The reasonableness of the amount of such damages are hereto acknowledged by Plaintiff.

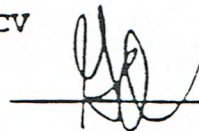
E. With exception to the items specified in Paragraph 7(L), Plaintiff agrees to return to the Church of Scientology International at the time of the consummation of this Agreement, all materials in his possession, custody or control (or within the possession, custody or control of his attorney, as well as third parties who are in possession of the described documents), of any nature, including originals and all copies or summaries of documents defined in Appendix "A" to this Agreement, including but not limited to any tapes, computer disks, films, photographs, recastings, variations or copies of any such materials which concern or relate to the religion of Scientology, L. Ron Hubbard or any of the organizations, individuals or entities listed in Paragraph 1 above, all evidence of any nature, including evidence obtained from the named defendants through discovery, acquired for the purposes of this lawsuit or any lawsuit, or acquired for any other purpose

concerning any Church of Scientology, any financial or administrative materials concerning any Church of Scientology, and any materials relating personally to L. Ron Hubbard, his family, or his estate. In addition to the documents and other items to be returned to the Church of Scientology International listed above and in Appendix "A", Plaintiff agrees to return the following:

(a) All originals and copies of the manuscript for the work "Excalibur" written by L. Ron Hubbard;

(b) All originals and copies of documents commonly known as the "Affirmations" written by L. Ron Hubbard; and

(c) All documents and other items surrendered to the Court by Plaintiff and his attorneys pursuant to Judge Cole's orders of August 24, 1982 and September 4, 1982 and all documents and other items taken by the Plaintiff from either the Church of Scientology or Omar Garrison. This includes all documents and items entered into evidence or marked for identification in Church of Scientology of California v. Gerald Armstrong, Case No. C 420 153. Plaintiff and his attorney will execute a Joint Stipulation or such other documents as are necessary to obtain these documents from the Court. In the event any documents or other items are no longer in the custody or control of the Los Angeles Superior Court, Plaintiff and his counsel will assist the Church in recovering these documents as quickly as possible, including but not limited to those tapes and other documents now in the possession of the United States District Court in the case of United States v. Zolin, Case No. CV



85-0440-HLH(Tx), presently on appeal in the Ninth Circuit Court of Appeals. In the event any of these documents are currently lodged with the Court of Appeal, Plaintiff and his attorneys will cooperate in recovering those documents as soon as the Court of Appeal issues a decision on the pending appeal.

To the extent that Plaintiff does not possess or control documents within categories A-C above, Plaintiff recognizes his continuing duty to return to CSI any and all documents that fall within categories A-C above which do in the future come into his possession or control.

F. Plaintiff agrees that he will never again seek or obtain spiritual counselling or training or any other service from any Church of Scientology, Scientologist, Dianetics or Scientology auditor, Scientology minister, Mission of Scientology, Scientology organization or Scientology affiliated organization.

G. Plaintiff agrees that he will not voluntarily assist or cooperate with any person adverse to Scientology in any proceeding against any of the Scientology organizations, individuals, or entities listed in Paragraph 1 above. Plaintiff also agrees that he will not cooperate in any manner with any organizations aligned against Scientology.

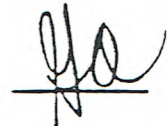
H. Plaintiff agrees not to testify or otherwise participate in any other judicial, administrative or legislative proceeding adverse to Scientology or any of the Scientology Churches, individuals or entities listed in Paragraph 1 above unless compelled to do so by lawful subpoena or other lawful process. Plaintiff shall not make

himself amenable to service of any such subpoena in a manner which invalidates the intent of this provision. Unless required to do so by such subpoena, Plaintiff agrees not to discuss this litigation or his experiences with and knowledge of the Church with anyone other than members of his immediate family. As provided hereinafter in Paragraph 18(d), the contents of this Agreement may not be disclosed.

I. The parties hereto agree that in the event of any future litigation between Plaintiff and any of the organizations, individuals or entities listed in Paragraph 1 above, that any past action or activity, either alleged in this lawsuit or activity similar in fact to the evidence that was developed during the course of this lawsuit, will not be used by either party against the other in any future litigation. In other words, the "slate" is wiped clean concerning past actions by any party.

J. It is expressly understood and agreed by Plaintiff that any dispute between Plaintiff and his counsel as to the proper division of the sum paid to Plaintiff by his attorney of record is between Plaintiff and his attorney of record and shall in no way affect the validity of this Mutual Release of All Claims and Settlement Agreement.

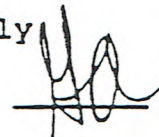
K. Plaintiff hereby acknowledges and affirms that he is not under the influence of any drug, narcotic, alcohol or other mind-influencing substance, condition or ailment such that his ability to fully understand the meaning of this Agreement and the significance thereof is adversely affected.



L. Notwithstanding the provisions of Paragraph 7(E) above, Plaintiff shall be entitled to retain any artwork created by him which concerns or relates to the religion of Scientology, L. Ron Hubbard or any of the organizations, individuals or entities listed in Paragraph 1 above provided that such artwork never be disclosed either directly or indirectly, to anyone. In the event of a disclosure in breach of this Paragraph 7(L), Plaintiff shall be subject to the liquidated damages and constructive trust provisions of Paragraph 7(D) for each such breach.

8. Plaintiff further agrees that he waives and relinquishes any right or claim arising out of the conduct of any defendant in this case to date, including any of the organizations, individuals or entities as set forth in Paragraph 1 above, and the named defendants waive and relinquish any right or claim arising out of the conduct of Plaintiff to date.

9. This Mutual Release of All Claims and Settlement Agreement contains the entire agreement between the parties hereto, and the terms of this Agreement are contractual and not a mere recital. This Agreement may be amended only by a written instrument executed by Plaintiff and CSI. The parties hereto have carefully read and understand the contents of this Mutual Release of All Claims and Settlement Agreement and sign the same of their own free will, and it is the intention of the parties to be legally bound hereby. No other prior or contemporaneous agreements, oral or written, respecting such matters, which are not specifically



incorporated herein shall be deemed to in any way exist or bind any of the parties hereto.

10. Plaintiff agrees that he will not assist or advise anyone, including individuals, partnerships, associations, corporations, or governmental agencies contemplating any claim or engaged in litigation or involved in or contemplating any activity adverse to the interests of any entity or class of persons listed above in Paragraph 1 of this Agreement.

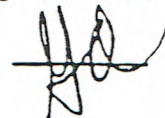
11. The parties to this Agreement acknowledge the following:

A. That all parties enter into this Agreement freely, voluntarily, knowingly and willingly, without any threats, intimidation or pressure of any kind whatsoever and voluntarily execute this Agreement of their own free will;

B. That all parties have conducted sufficient deliberation and investigation, either personally or through other sources of their own choosing, and have obtained advice of counsel regarding the terms and conditions set forth herein, so that they may intelligently exercise their own judgment in deciding whether or not to execute this Agreement; and

C. That all parties have carefully read this Agreement and understand the contents thereof and that each reference in this Agreement to any party includes successors, assigns, principals, agents and employees thereof.

12. Each party shall bear its respective costs with respect to the negotiation and drafting of this Agreement and



all acts required by the terms hereof to be undertaken and performed by that party.

13. To the extent that this Agreement inures to the benefit of persons or entities not signatories hereto, this Agreement is hereby declared to be made for their respective benefits and uses.

14. The parties shall execute and deliver all documents and perform all further acts that may be reasonably necessary to effectuate the provisions of this Agreement.

15. This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties prepared this Agreement. This Agreement shall be construed and enforced in accordance with the laws of the State of California.

16. In the event any provision hereof be unenforceable, such provision shall not affect the enforceability of any other provision hereof.

17. All references to the plural shall include the singular and all references to the singular shall include the plural. All references to gender shall include both the masculine and feminine.

18.(A) Each party warrants that they have received independent legal advice from their attorneys with respect to the advisability of making the settlement provided for herein and in executing this Agreement.

(B) The parties hereto (including any officer, agent, employee, representative or attorney of or for any party) acknowledge that they have not made any statement,



representation or promise to the other party regarding any fact material to this Agreement except as expressly set forth herein. Furthermore, except as expressly stated in this Agreement, the parties in executing this Agreement do not rely upon any statement, representation or promise by the other party (or of any officer, agent, employee, representative or attorney for the other party).

(C) The persons signing this Agreement have the full right and authority to enter into this Agreement on behalf of the parties for whom they are signing.

(D) The parties hereto and their respective attorneys each agree not to disclose the contents of this executed Agreement. Nothing herein shall be construed to prevent any party hereto or his respective attorney from stating that this civil action has been settled in its entirety.

(E) The parties further agree to forbear and refrain from doing any act or exercising any right, whether existing now or in the future, which act or exercise is inconsistent with this Agreement.

19. Plaintiff has been fully advised by his counsel as to the contents of this document and each provision hereof. Plaintiff hereby authorizes and directs his counsel to dismiss with prejudice his claims now pending in the action entitled Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153.

20. Notwithstanding the dismissal of the lawsuit pursuant to Paragraph 4 of this Agreement, the parties hereto agree that the Los Angeles Superior Court shall retain

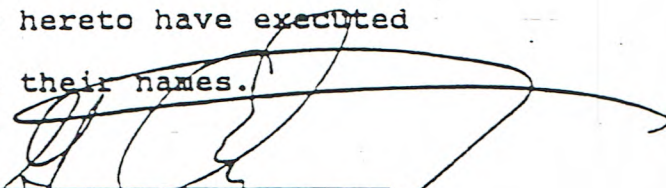


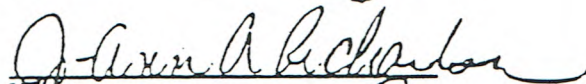
jurisdiction to enforce the terms of this Agreement. This Agreement may be enforced by any legal or equitable remedy, including but not limited to injunctive relief or declaratory judgment where appropriate. In the event any party to this Agreement institutes any action to preserve, to protect or to enforce any right or benefit created hereunder, the prevailing party in any such action shall be entitled to the costs of suit and reasonable attorney's fees.

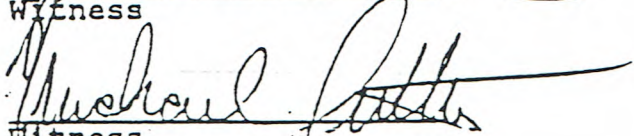
21. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be a duplicate original, but all of which, together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date opposite their names.

Dated: December 6, 1985

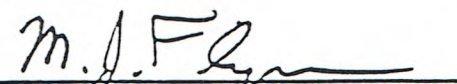

GERALD ARMSTRONG


Witness

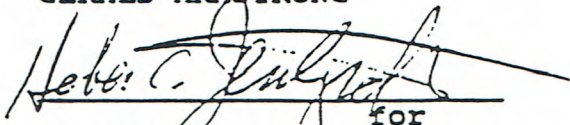

Witness

Dated: 12/6/86

APPROVED AS TO FORM AND CONTENT:


MICHAEL J. FLYNN
Attorney for
GERALD ARMSTRONG

Dated: December 11, 1986


for
CHURCH OF SCIENTOLOGY
INTERNATIONAL